

# *Township of Barnside*

**Lapeer County, Michigan**

Audited Financial Report  
March 31, 2005

*Lehn L. King*

Certified Public Accountant  
Marlette, Michigan

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

**RECEIVED**  
DEPT. OF TREASURY

AUG 19 2005

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Burnside Township</b>	LOCAL AUDIT & FINANCE DIV.	County <b>Lapeer</b>
Audit Date <b>5/9/05</b>	Opinion Date <b>5/9/05</b>	Date Accountant Report Submitted to State: <b>5/23/05</b>		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

**Lehn L. King, C.P.A.**

Street Address

**3531 Main Street**

City

**Marlette**

State

**MI**

ZIP

**48453**

Accountant Signature

Date

**5/19/05**

**Township of Burnside**  
Annual Financial Report  
For The Fiscal Year Ended March 31, 2005

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Members of the Township Board  
**Township of Burnside**  
Lapeer County, Michigan

**Independent Auditor's Report**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Burnside, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Burnside, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Burnside, Michigan as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Burnside, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

*Lehn King*

Lehn L. King  
Certified Public Accountant

May 9, 2005

# Township of Burnside

## Brown City, Michigan

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### MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Township of Burnside's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Township's financial statements.

#### Financial Highlights

The Township is in a good financial position with a General Fund Balance of \$142,000. This allows the Township normal operating activities with minor Road Projects.

#### Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Township's annual report.

#### The Township as a Whole

The Township of Burnside's fund balances are as follows:

	<u>March 31,</u> <u>2005</u>	<u>March 31,</u> <u>2004</u>
General Fund	\$ 144,876	\$ 202,021
Code Enforcement Fund	3,903	3,207
Gravel Fund	317,936	300,548
Cemetery Fund	14,141	13,856
Landfill/Environmental Fund	<u>109,917</u>	<u>111,374</u>
Total for Township	<u>\$ 590,773</u>	<u>\$ 631,006</u>

# Township of Burnside

## Brown City, Michigan

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### Governmental Activities

The Township of Burnside's Revenues and Expenditures can be summarized as follows:

	General Fund	Code Enforcement Fund	Gravel Fund	Cemetery Fund	Landfill Fund	Total Governmental Activities
<b>Fund Balance - Beginning of Year</b>	\$ 208,096	\$ 3,207	\$ 300,548	\$ 13,856	111,374	\$ 637,081
<b>Revenue Collected</b>						
Intergovernmental Revenue	132,542	-	-	-	-	132,542
Property Taxes	98,017	-	-	-	-	98,017
Charges for Services	15,629	6,196	-	-	-	21,825
Other	12,087	1,068	27,803	6,539	2,113	49,610
Total Revenue Collected	258,275	7,264	27,803	6,539	2,113	301,994
<b>Expenditures</b>						
General Government	94,387	-	-	6,254	-	100,641
Public Safety	61,145	6,568	-	-	-	67,713
Public Works	163,044	-	7,415	-	3,570	174,028
Recreation & Culture	900	-	-	-	-	900
Capital Outlay	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Transfers	2,020	-	3,000	-	-	5,020
Total Expenditures	321,495	6,568	10,415	6,254	3,570	348,302
<b>Fund Balance - End of Year</b>	<u>\$ 144,876</u>	<u>\$ 3,903</u>	<u>\$ 317,936</u>	<u>\$ 14,141</u>	<u>109,917</u>	<u>\$ 590,773</u>

# Township of Burnside

## Brown City, Michigan

### Economic Factors and Next Year's Budget and Rates

The Township of Burnside's 2005/2006 adopted budget is as follows:

	General Fund	Code Enforcement Fund	Gravel Fund	Cemetery Fund	Landfill Fund
<b>Budgeted Revenue</b>					
Intergovernmental Revenue	140,400	12,420	-	-	-
Property Taxes	107,400	-	-	-	-
Charges for Services	18,900	-	24,000	3,000	-
Other	6,600	36	2,760	180	-
Transfer	-	-	-	5,304	-
Total Revenue Collected	273,300	12,456	26,760	8,484	-
<b>Budgeted Expenditures</b>					
General Government	127,394	-	-	7,188	-
Public Safety	56,100	10,740	22,080	-	14,628
Public Works	85,704	-	-	-	-
Recreation & Culture	900	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service	-	-	-	-	-
Transfers	-	-	-	-	-
Total Expenditures	270,098	10,740	22,080	7,188	14,628
<b>Net Over/Under Budget</b>	\$ 3,202	\$ 1,716	\$ 4,680	\$ 1,296	\$ (14,628)
<b>Fund Balance - Beginning of Year</b>	\$ 144,876	\$ 3,903	\$ 317,936	\$ 14,141	\$ 109,917

The Township of Burnside's General Fund budget for next year is approximately the same budget as a year ago.

### Contacting the Township

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Township office at 7045 Burnside Road, Brown City, Michigan or by telephone at (810) 346-3559.

Lonnie Hayes  
Township of Burnside Supervisor

# Township of Burnside

## Statement of Net Assets (Deficit)

March 31, 2005

	<u>Primary Government Governmental Activities</u>
<b><u>Assets</u></b>	
Cash & Cash Equivalents	\$ 565,903.07
Property Taxes Receivable	9,048.59
Due From Other Funds	15,821.51
Capital Assets (Net of Accumulated Depreciation)	<u>-</u>
Total Assets	590,773.17
<b><u>Liabilities</u></b>	
Accounts Payable	\$ -
Current Portion of Long-Term Debt	-
Long-Term Debt	<u>-</u>
Total Liabilities	<u>-</u>
<b>Net Assets (Deficit)</b>	
Invested in Capital Assets - Net of Related Debt	-
Restricted for Reclamation	317,936.18
Restricted for Public Improvement	5,520.73
Restricted for Disaster Relief	647.38
Unrestricted	<u>266,668.88</u>
Total Net Assets (Deficit)	<u><u>\$ 590,773.17</u></u>

The notes are an integral part of the statements.



# Township of Burnside

Statement of Activities

For the Year Ended March 31, 2005

Functions/Programs Primary Government:	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Government	
				Governmental Activities	
Governmental Activities:					
General Government	\$ 100,641.08	\$ 15,903.75	\$ -	\$ (84,737.33)	
Public Safety	78,697.85	29,853.39	-	(48,844.46)	
Public Works	163,043.54	-	-	(163,043.54)	
Recreation & Culture	900.00	-	-	(900.00)	
Total Governmental Activities	\$ 343,282.47	\$ 45,757.14	\$ -	(297,525.33)	
General Revenues:					
Property Taxes				\$ 98,017.42	
State Shared Revenues				132,542.04	
Interest				11,267.97	
Other Revenues				9,389.89	
Transfers				-	
Total General Revenues, Special Items & Transfers				251,217.32	
Change in Net Assets				(46,308.01)	
Net Assets (Deficit) - Beginning of Year				637,081.18	
Net Assets (Deficit) - End of Year				\$ 590,773.17	

The notes are an integral part of the statements.

# Township of Burnside

Governmental Funds

Balance Sheet

March 31, 2005

	General Fund	Code Enforcement Fund	Gravel Fund	Cemetery Fund	Landfill Fund	Totals Governmental Funds
<u>Assets</u>						
Cash & Certificates of Deposit	\$ 120,006.18	\$ 3,903.38	\$ 317,936.18	\$ 14,141.12	\$ 109,916.21	\$ 565,903.07
Property Taxes Receivable	9,048.59	-	-	-	-	9,048.59
Due From Other Funds	15,821.51	-	-	-	-	15,821.51
<u>Total Assets</u>	<u>\$ 144,876.28</u>	<u>\$ 3,903.38</u>	<u>\$ 317,936.18</u>	<u>\$ 14,141.12</u>	<u>\$ 109,916.21</u>	<u>\$ 590,773.17</u>
<u>Liabilities &amp; Fund Equity</u>						
<u>Liabilities</u>						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due To Other Funds	-	-	-	-	-	-
<u>Total Liabilities</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Equity</u>						
Fund Balances						
- Designated for Reclamation	-	-	317,936.18	-	-	317,936.18
- Designated for Public Improvement	5,520.73	-	-	-	-	5,520.73
- Designated for Disaster Relief	647.38	-	-	-	-	647.38
- Unreserved & Undesignated	138,708.17	3,903.38	-	14,141.12	109,916.21	266,668.88
<u>Total Fund Balances</u>	<u>144,876.28</u>	<u>3,903.38</u>	<u>317,936.18</u>	<u>14,141.12</u>	<u>109,916.21</u>	<u>590,773.17</u>
<u>Total Liabilities &amp; Fund Equity</u>	<u>\$ 144,876.28</u>	<u>\$ 3,903.38</u>	<u>\$ 317,936.18</u>	<u>\$ 14,141.12</u>	<u>\$ 109,916.21</u>	<u>\$ 590,773.17</u>

The notes are an integral part of the statements.

**Township of Burnside**  
Governmental Funds  
Reconciliation of Fund Balances to the  
Statement of Net Assets (Deficit)  
For The Year Ended March 31, 2005

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 590,773.17</b>
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Amounts reported for Governmental Activities in the Statement of  
Net Assets (Deficit) are different because:

Capital Assets used in Governmental Activities are not Financial Resources and are not reported in the Funds	-
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Long-Term Bonds Payable are not due and payable in the current period and are not reported in the Funds	-
--	---

Accrued Interest Payable is not reported in the Funds	<u>-</u>
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<b>Net Assets of Governmental Activities</b>	<b><u><u>\$ 590,773.17</u></u></b>
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The notes are an integral part of the statements.

# Township of Burnside

Governmental Funds  
Statement of Revenues, Expenditures, And Changes  
in Fund Balances  
For The Year Ended March 31, 2005

	General Fund	Code Enforcement Fund	Gravel Fund	Cemetery Fund	Landfill Fund	Totals Governmental Funds
<b>Revenues</b>						
Property Taxes	\$ 98,017.42	\$ -	\$ -	\$ -	\$ -	\$ 98,017.42
State Shared Revenue	132,542.04	-	-	-	-	132,542.04
Charges for Services	15,628.75	-	-	275.00	-	15,903.75
Permits & Fees	-	6,196.00	8,141.18	-	-	14,337.18
Interest Earnings	4,797.58	48.18	4,145.48	164.22	2,112.51	11,267.97
Lot Sales	-	-	-	2,100.00	-	2,100.00
Reclamation Bonds	-	-	15,516.21	-	-	15,516.21
Other Revenues	7,289.89	-	-	-	-	7,289.89
<b>Total Revenues</b>	<b>258,275.68</b>	<b>6,244.18</b>	<b>27,802.87</b>	<b>2,539.22</b>	<b>2,112.51</b>	<b>296,974.46</b>
<b>Expenditures</b>						
General Government	94,386.86	-	-	6,254.22	-	100,641.08
Public Safety	61,144.94	6,568.38	7,414.60	-	3,569.93	78,697.85
Publics Works	163,043.54	-	-	-	-	163,043.54
Recreation & Culture	900.00	-	-	-	-	900.00
<b>Total Expenditures</b>	<b>319,475.34</b>	<b>6,568.38</b>	<b>7,414.60</b>	<b>6,254.22</b>	<b>3,569.93</b>	<b>343,282.47</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(61,199.66)</b>	<b>(324.20)</b>	<b>20,388.27</b>	<b>(3,715.00)</b>	<b>(1,457.42)</b>	<b>(46,308.01)</b>
<b>Other Financing Sources (Uses)</b>						
Operating Transfers In (Out)	(2,020.00)	1,020.00	(3,000.00)	4,000.00	-	-
<b>Net Change in Fund Balances</b>	<b>(63,219.66)</b>	<b>695.80</b>	<b>17,388.27</b>	<b>285.00</b>	<b>(1,457.42)</b>	<b>(46,308.01)</b>
<b>Fund Balances - Beginning of Year</b>	<b>208,095.94</b>	<b>3,207.58</b>	<b>300,547.91</b>	<b>13,856.12</b>	<b>111,373.63</b>	<b>637,081.18</b>
<b>Fund Balances - End of Year</b>	<b>\$ 144,876.28</b>	<b>\$ 3,903.38</b>	<b>\$ 317,936.18</b>	<b>\$ 14,141.12</b>	<b>\$ 109,916.21</b>	<b>\$ 590,773.17</b>

The notes are an integral part of the statements.

**Township of Burnside**  
Governmental Funds  
Reconciliation of Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For The Year Ended March 31, 2005

**Net Change in Fund Balances - Total Governmental Funds** **\$ (46,308.01)**

Amounts reported for Governmental Activities in the Statement of  
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;  
in the Statement of Activities, these costs are capitalized and  
allocated over their estimated useful lives as Depreciation -

Repayment of Bond Principal is and Expenditure in the Governmental  
Funds, but not in the Statement of Activities (where it  
reduces Long-Term Debt) -

Interest Expense is reported in the Statement of Activities  
when a Liability is incurred; they are reported in the  
Governmental Funds only when payment is due -

Depreciation is an Expenditures for the Statement of  
Activities, but is not reported in the Governmental Funds -

**Net Assets of Governmental Activities** **\$ (46,308.01)**

The notes are an integral part of the statements.

# Township of Burnside

## Statement of Net Assets (Deficit)

### Fiduciary Funds

March 31, 2005

	Fiduciary Fund Types		
	Agency Funds		
	Security Deposits Fund	Current Tax Collection Fund	Totals March 31, 2005
<u>Assets</u>			
Cash - Savings & Certificates	\$ 7,534.12	\$ 13,787.39	\$ 21,321.51
Due From Other Funds	-	-	-
<u>Total Assets</u>	<u>\$ 7,534.12</u>	<u>\$ 13,787.39</u>	<u>\$ 21,321.51</u>
<u>Liabilities &amp; Fund Balance</u>			
<u>Liabilities</u>			
Due To General Fund	\$ 2,034.12	\$ 13,787.39	\$ 15,821.51
Due To Others	5,500.00	-	5,500.00
<u>Total Liabilities</u>	<u>7,534.12</u>	<u>13,787.39</u>	<u>21,321.51</u>
<u>Fund Balances</u>			
Unreserved & Undesignated	-	-	-
<u>Total Fund Balances</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Liabilities &amp; Fund Balances</u>	<u>\$ 7,534.12</u>	<u>\$ 13,787.39</u>	<u>\$ 21,321.51</u>

The notes are an integral part of the statements.

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Township of Burnside, Lapeer County, Michigan, conform to generally accepted accounting principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Townships Comprehensive Annual Financial Report.

**1. Summary of Significant Accounting Policies**

**Financial Reporting Entity**

The Township was incorporated under the laws of the State of Michigan and operates as a General Law Township, with a Township Board form of government. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township (the primary government) and its component units. The component units discussed below are included in the Township reporting entity because of the significance of their operational or financial relationships with the Township.

**Government-wide and Fund Statements Fund**

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Township (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Code Enforcement Fund** - The Code Enforcement Fund is setup for the monitoring of Township construction. It is primarily funded through the collection of permits for the various types of construction.

**Cemetery Fund** - The Cemetery Fund provides for the administration of the grave openings, burials, and general maintenance of the local cemetery. Funding is provided primarily from grave openings and lot sales.

**Landfill / Environmental Fund** - The fund accounts for the inspection and engineering of the landfill. Funding is provided primarily from interest income.

**Gravel Fund** - The fund accounts for money held in trust for reclamation. Funding is provided primarily from a fee per ton as gravel is removed from the various sites.

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

Additionally, the Township reports the following fund types:

**Security Deposits Fund** – The fund accounts for the performance bonds from various construction in the Township. Funding is provided primarily through performance bonds collected at the onset of construction and returned upon completion of the necessary requirements of the construction.

**Current Tax Collection Fund** - The Current Tax Collection Fund accounts for the collection and disbursement of local property taxes.

**Measurement Focus and Basis of Accounting**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Township. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

**Cash** - The Township does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Township's investments.

**Investments** - Debt securities are valued at cost since it is generally the policy of the Township to hold such investments until they mature.

**Due to and Due from Other Funds** - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

**Property Tax Revenues** - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

**Vacation, Sick Leave, & Other Compensated Absences** - The Township does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.



**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Inventories and supplies held by the Water Fund and the Sewer Fund, which are immaterial in amount, have not been recognized. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

**Capital Assets** - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	40 years
Water & Sewer Distribution Systems	20 to 75 years
Buildings & Building Improvements	20 to 40 years
Machinery & Equipment	3 to 10 years

**Long-Term Obligations** - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### **Accounting Changes**

**GASB Statement No. 34** - Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Township as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

**2. Stewardship, Compliance, and Accountability**

**Budgetary Information**

The Township is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Township actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Township Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the major Special Revenue Funds, Debt Service Funds, and Capital Project Funds are presented in the required supplemental information.

During the year ended March 31, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Planning & Zoning	\$ 6,847	\$ 6,859	\$ 12
<b>Cemetery Fund</b>			
Lawn Maintenance & Snow Removal	5,558	5,594	36

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

**3. Cash and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary - Trust &amp; Agency Funds</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 565,903	\$ 21,321	\$ 587,224

The Township's deposits are in accordance with statutory authority. As of March 31, 2005, the balance sheet carrying amount of cash deposits was \$587,224. The bank balance as of March 31, 2005 was \$587,224, of which \$242,621 was covered by FDIC insurance.

All cash deposits and investments of the Township are held by the Township in the Township's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

<b>Investment Type</b>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred					
Compensation Plans					
Total Risk-Categorized					
Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Township or its agent in the Township's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Township's name.

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

**4. Property Taxes**

The Township is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state legislation. Property taxes become a lien on the first day of December of the levy year and might be paid by the following February 14.

Property taxes are not recognized in compliance with NCGAI-3 which states that such revenue is recorded when it becomes measurable and available. Property taxes are recorded as revenue when collected.

The Township levied the following taxes:

General Government Services	<u>1.5966</u> mills
-----------------------------	---------------------

**5. Capital Assets**

Capital Assets are immaterial for the Township of Burnside.

**6. Interfund Receivables, Payables, & Transfers**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	<b>Due From Other Funds</b>		<b>Due To Other Funds</b>
Tax Collection Fund	\$ 13,787	General Fund	\$ 13,787
Security Deposit Fund	<u>2,034</u>	General Fund	<u>2,034</u>
<b>Total</b>	<b><u>\$ 15,821</u></b>		<b><u>\$ 15,821</u></b>

Interfund Transfers reported in the Fund Statements are as follows:

	<b>Transferred From</b>		<b>Transferred To</b>
General Fund	\$ 4,000	Cemetery Fund	\$ 4,000
General Fund	1,020	Code Enforcement Fund	1,020
Gravel Fund	<u>3,000</u>	General Fund	<u>3,000</u>
<b>Total</b>	<b><u>\$ 8,020</u></b>		<b><u>\$ 8,020</u></b>

**Township of Burnside**  
Notes to the Financial Statements  
For The Year Ended March 31, 2005

**8. Long-Term Debt**

None

**9. Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Township has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

**Required Supplemental Information**

**Township of Burnside**  
Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For The Year Ended March 31, 2005

	General Fund			Variance with
	Original	Amended		Amended
Revenues	Budget	Budget	Actual	Budget
Property Taxes	\$ 111,120.00	\$ 111,120.00	\$ 98,017.42	\$ (13,102.58)
State Shared Revenues	142,200.00	142,200.00	132,542.04	(9,657.96)
Charges for Services	20,100.00	20,100.00	15,628.75	(4,471.25)
Interest Earnings	2,400.00	2,400.00	4,797.58	2,397.58
Rental Income	3,000.00	3,000.00	2,275.00	(725.00)
Other Revenues	1,080.00	1,080.00	5,014.89	3,934.89
<b>Total Revenues</b>	<b>279,900.00</b>	<b>279,900.00</b>	<b>258,275.68</b>	<b>(21,624.32)</b>
<b>Expenditures</b>				
<b>General Government</b>				
Township Board	12,228.00	12,484.00	11,358.04	1,125.96
Clerk	13,500.00	13,566.00	13,566.60	(0.60)
Treasurer	14,964.00	14,964.00	14,731.56	232.44
Supervisor	8,280.00	8,280.00	8,168.20	111.80
Assessor	21,300.00	21,300.00	20,174.70	1,125.30
Elections	2,244.00	2,244.00	1,828.39	415.61
Professional Services	7,800.00	7,800.00	6,158.61	1,641.39
Board of Review	1,200.00	1,212.00	1,211.70	0.30
Township Hall Expense	11,100.00	11,100.00	9,525.06	1,574.94
Insurance & Bonds	8,040.00	8,040.00	7,664.00	376.00
<b>Total General Government</b>	<b>100,656.00</b>	<b>100,990.00</b>	<b>94,386.86</b>	<b>6,603.14</b>
<b>Public Safety</b>				
Planning & Zoning	5,220.00	6,847.00	6,859.42	(12.42)
Fire Protection	60,000.00	60,000.00	53,610.52	6,389.48
Board of Appeals	660.00	675.00	675.00	-
<b>Total Public Safety</b>	<b>65,880.00</b>	<b>67,522.00</b>	<b>61,144.94</b>	<b>6,377.06</b>
<b>Highways, Streets, &amp; Bridges</b>	<b>104,556.00</b>	<b>106,755.00</b>	<b>163,043.54</b>	<b>(56,288.54)</b>
<b>Parks &amp; Recreation</b>	<b>900.00</b>	<b>900.00</b>	<b>900.00</b>	<b>-</b>
<b>Total Expenditures</b>	<b>271,992.00</b>	<b>276,167.00</b>	<b>319,475.34</b>	<b>(43,308.34)</b>
<b>Excess of Revenues Over</b>				
<b>(Under) Expenditures</b>	<b>7,908.00</b>	<b>3,733.00</b>	<b>(61,199.66)</b>	<b>(64,932.66)</b>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In (Out)	(5,040.00)	(5,040.00)	(2,020.00)	3,020.00
<b>Excess of Revenues &amp; Operating Transfers In Over</b>				
<b>(Under) Expenditures &amp; Operating Transfers Out</b>	<b>2,868.00</b>	<b>(1,307.00)</b>	<b>(63,219.66)</b>	<b>(61,912.66)</b>
<b>Fund Balance - Beginning of Year</b>	<b>-</b>	<b>-</b>	<b>208,095.94</b>	<b>208,095.94</b>
<b>Fund Balance - End of Year</b>	<b>\$ 2,868.00</b>	<b>\$ (1,307.00)</b>	<b>\$ 144,876.28</b>	<b>\$ 146,183.28</b>

**Township of Burnside**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Code Enforcement Fund  
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Address Permits	\$ 600.00	\$ 600.00	\$ 180.00	\$ (420.00)
Building Permits	5,400.00	5,400.00	3,570.00	(1,830.00)
Electrical Permits	5,400.00	5,400.00	2,446.00	(2,954.00)
Interest Earnings	36.00	36.00	48.18	12.18
<b><u>Total Revenues</u></b>	<u>11,436.00</u>	<u>11,436.00</u>	<u>6,244.18</u>	<u>(5,191.82)</u>
<b><u>Expenditures</u></b>				
Zoning Administrator	1,020.00	1,020.00	1,020.00	-
Building Inspector	3,840.00	3,840.00	2,909.50	930.50
Electrical Inspector	3,600.00	3,600.00	1,834.50	1,765.50
Meetings, Supplies, & Utilities	1,080.00	1,080.00	353.29	726.71
Payroll Taxes	1,200.00	1,200.00	451.09	748.91
<b><u>Total Expenditures</u></b>	<u>10,740.00</u>	<u>10,740.00</u>	<u>6,568.38</u>	<u>4,171.62</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	696.00	696.00	(324.20)	(1,020.20)
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	<u>1,020.00</u>	<u>1,020.00</u>	<u>1,020.00</u>	<u>-</u>
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	1,716.00	1,716.00	695.80	(1,020.20)
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>3,207.58</u>	<u>3,207.58</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 1,716.00</u>	<u>\$ 1,716.00</u>	<u>\$ 3,903.38</u>	<u>\$ 2,187.38</u>



**Township of Burnside**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Gravel Fund  
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Serveillance Fee	\$ 8,141.18	\$ 8,141.18	\$ 8,141.18	\$ -
Reclamation Bonds	15,516.21	15,516.21	15,516.21	-
Interest Earnings	4,155.48	4,155.48	4,145.48	(10.00)
<b><u>Total Revenues</u></b>	<u>27,812.87</u>	<u>27,812.87</u>	<u>27,802.87</u>	<u>(10.00)</u>
<b><u>Expenditures</u></b>				
Consultant	9,600.00	9,600.00	1,249.84	8,350.16
Engineer	3,000.00	3,000.00	-	3,000.00
Gravel Officer	6,000.00	6,000.00	6,000.00	-
Miscellaneous	480.00	480.00	164.76	315.24
<b><u>Total Expenditures</u></b>	<u>19,080.00</u>	<u>19,080.00</u>	<u>7,414.60</u>	<u>11,665.40</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>8,732.87</u>	<u>8,732.87</u>	<u>20,388.27</u>	<u>11,655.40</u>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	(3,000.00)	(3,000.00)	(3,000.00)	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>5,732.87</u>	<u>5,732.87</u>	<u>17,388.27</u>	<u>11,655.40</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>300,547.91</u>	<u>300,547.91</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 5,732.87</u>	<u>\$ 5,732.87</u>	<u>\$ 317,936.18</u>	<u>\$ 312,203.31</u>

**Township of Burnside**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Cemetery Fund  
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Grave Openings	\$ 1,200.00	\$ 1,200.00	\$ 275.00	\$ (925.00)
Lot Sales	1,800.00	1,800.00	2,100.00	300.00
Interest Earnings	180.00	180.00	164.22	(15.78)
<b><u>Total Revenues</u></b>	<u>3,180.00</u>	<u>3,180.00</u>	<u>2,539.22</u>	<u>(640.78)</u>
<b><u>Expenditures</u></b>				
Grave Openings	345.00	345.00	275.00	70.00
Lawn Maintenance & Snow Removal	5,558.00	5,558.00	5,594.02	(36.02)
Miscellaneous	385.00	385.00	385.20	(0.20)
<b><u>Total Expenditures</u></b>	<u>6,288.00</u>	<u>6,288.00</u>	<u>6,254.22</u>	<u>33.78</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(3,108.00)</u>	<u>(3,108.00)</u>	<u>(3,715.00)</u>	<u>(607.00)</u>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	4,020.00	4,020.00	4,000.00	(20.00)
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>912.00</u>	<u>912.00</u>	<u>285.00</u>	<u>(627.00)</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>13,856.12</u>	<u>13,856.12</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ 912.00</u>	<u>\$ 912.00</u>	<u>\$ 14,141.12</u>	<u>\$ 13,229.12</u>

**Township of Burnside**  
Required Supplemental Information  
Budgetary Comparison Schedule  
Landfill / Environmental Fund  
For The Year Ended March 31, 2005

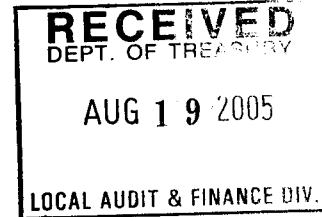
	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<b><u>Revenues</u></b>				
Interest Earnings	\$ 2,112.51	\$ 2,112.51	\$ 2,112.51	\$ -
<b><u>Total Revenues</u></b>	<u>2,112.51</u>	<u>2,112.51</u>	<u>2,112.51</u>	<u>-</u>
<b><u>Expenditures</u></b>				
Consultant	5,004.00	5,004.00	548.00	4,456.00
Engineer	5,004.00	5,004.00	-	5,004.00
Wages & Payroll Taxes	1,620.00	1,620.00	1,614.60	5.40
Miscellaneous	3,000.00	3,000.00	1,407.33	1,592.67
<b><u>Total Expenditures</u></b>	<u>14,628.00</u>	<u>14,628.00</u>	<u>3,569.93</u>	<u>11,058.07</u>
<b><u>Excess of Revenues Over (Under) Expenditures</u></b>	<u>(12,515.49)</u>	<u>(12,515.49)</u>	<u>(1,457.42)</u>	<u>11,058.07</u>
<b><u>Other Financing Sources</u></b>				
Operating Transfers In (Out)	-	-	-	-
<b><u>Excess of Revenues &amp; Other Sources Over (Under) Expenditures &amp; Other Uses</u></b>	<u>(12,515.49)</u>	<u>(12,515.49)</u>	<u>(1,457.42)</u>	<u>11,058.07</u>
<b><u>Fund Balance - Beginning of Year</u></b>	<u>-</u>	<u>-</u>	<u>111,373.63</u>	<u>111,373.63</u>
<b><u>Fund Balance - End of Year</u></b>	<u>\$ (12,515.49)</u>	<u>\$ (12,515.49)</u>	<u>\$ 109,916.21</u>	<u>\$ 122,431.70</u>

LEHN L. KING  
CERTIFIED PUBLIC ACCOUNTANT

3531 MAIN STREET  
MARLETTE, MICHIGAN 48453

Phone 989-635-3113  
Fax 989-635-5580

May 9, 2005



Members of the Township Board  
**Burnside Township**  
Lapeer County, Michigan

In accordance with your request, I have made an examination of the financial statements of Burnside Township for the fiscal year ended March 31, 2005. During the course of my examination no material items have come to my attention.

1. When the bank reconciliation is done each month the Quickbooks report should be printed out on a detail format. Thus each individual outstanding item will be listed and can be readily traced. Also, the Quickbooks reconciling procedure should have a cut off date at the end of the month.
2. A listing of the security deposit payables should be maintained so that the total of the list will match the deposits payable in the Quickbooks system. This could be done in the Quickbooks system.

From an overall viewpoint, the Township of Burnside is in good financial condition, and the financial records maintained by the Township Clerk are in good order.

I thank the Township officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

*Lehn King*

Lehn L. King  
Certified Public Accountant